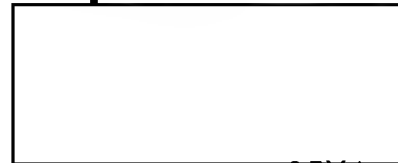


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Central Intelligence Bulletin

State Department review completed

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C-205

8 August 1973



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Approved For Release 2004/07/08 : CIA-RDP79T00975A025000070001-6

Approved For Release 2004/07/08 : CIA-RDP79T00975A025000070001-6

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1 *CHINA: The liberalizing trend in education policy suffered a setback when Peking reversed a decision to reinstate college entrance examinations. The reversal may signal a sharpening of the dispute over the moderation of other domestic policies as important party meetings draw closer.

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1 Over the last few years, education policy has gradually backed away from the radical tenets put forth by Mao during the Cultural Revolution; under those rules, college admission was based almost exclusively on the proper political background of the applicant.

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1 This year entrance examinations, which began in June, have been more widely used in determining university enrollment than at any time since the Cultural Revolution. The examination system, however, came under attack in July in a series of broadcasts from Liaoning Province, and Shanghai recently announced its admissions requirements without reference to examinations. The decision to use examinations was apparently made at an education conference last winter, but prolonged debate during the conference delayed the start of enrollment this year.

1 With a national party congress in the offing, it appears that ideologues prominent during the Cultural Revolution are using education policy as

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1 a symbol of their opposition to a broader range of relatively moderate policies. These policies, which are to be aired at the congress, can be expected to encounter stiff resistance from those who wish to keep alive the spirit of the Cultural Revolution.

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**The Director of the Bureau of Intelligence and Research, Department of State, considers that*

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reflects an effort by Peking to clarify and elaborate its guidelines governing the difficult and sensitive issue of college entrance exams, and that there is no clear indication that educational policy has become a symbol of conflict between moderates and ideologists on a broad policy front. recent material--notably Liaoning provincial broadcasts in which frustrated university candidates complain that their work among the peasants allows no time to prepare for entrance exams--make it clear that it is proving hard to dovetail the compulsory two-year rural stint for young people with the university admission process. Certain university authorities, having been allowed to reinstitute entrance tests, have apparently gone too far by making them the primary criterion for college admission, to the virtual exclusion of other factors. The current clarification of enrollment guidelines thus seems an effort to strike a balance between competing goals, not to question basic policies.

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Moreover, INR does not consider that this educational issue, although admittedly controversial, has come to symbolize opposition to a wide range of moderate policies as the National Party Congress approaches. We view the congress as essentially a rubber-stamp operation which could not be scheduled unless a relatively high degree of consensus had already been achieved among the principal leaders, both at the Central Committee plenum preceding the congress and at earlier meetings.

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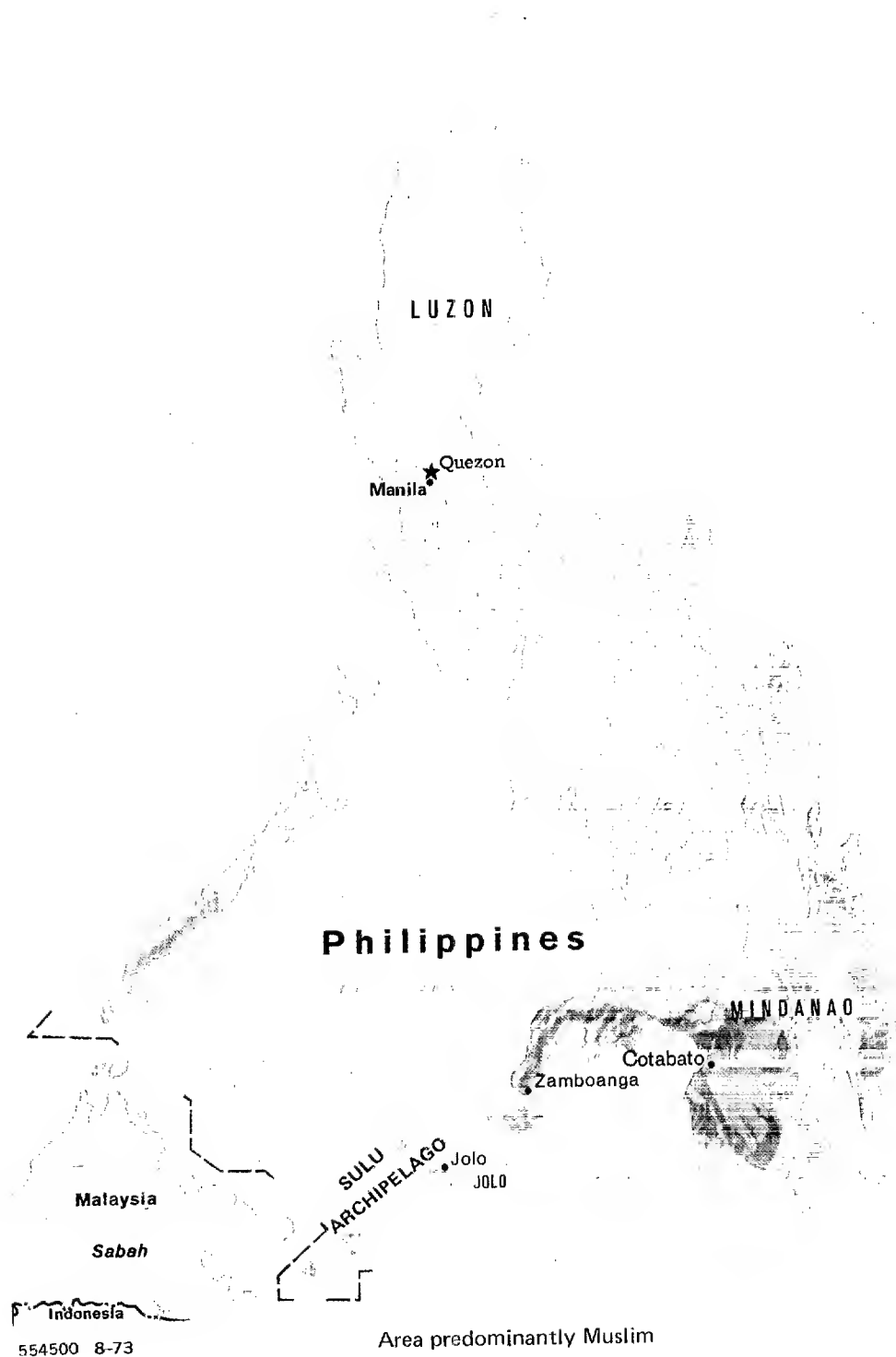
1, 2, 3 JAPAN: The domestic dividends from Prime Minister Tanaka's US summit apparently will be slim. Favorable media reaction has focused on the summit as confirmation of the "new and equal" partnership between the US and Japan. The opposition parties, however, are pointing to the blandness of the communiqué and to its lack of specifics on the resolution of US-Japanese problems as signs that Tanaka got little for his efforts in Washington. The opposition charged that the trip signaled an "increasing" Japanese subservience to the US, in the hope of detracting from the favorable overall media response.

2 The opposition parties have been boycotting the Diet for several weeks, seeking to block the passage of key legislation proposed by Tanaka's ruling party. There are signs that the boycott is about to end, because the opposition wants to zero in on Tanaka and the summit in parliamentary debate. They also hope to exploit a government-approved rise in the price of rice that has added fuel to popular resentment over inflation.

4 Tanaka leaves in about a month for visits to France, the United Kingdom, and West Germany, and later to the Soviet Union. In the interim, the opposition will probably be able to cause enough uproar on various domestic issues to prevent Tanaka from making much headway against his home-front problems. This will increase his desire to try to make some significant gains from his next foreign swing, especially his trip to Moscow, in the hope that he can apply the credit domestically.

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PHILIPPINES: Military efforts to quell the Muslim rebellion in the southern Philippines have made little headway, and the level of rebel activity in the Sulu Archipelago is increasing.

The insurgents in the Sulu area are apparently bent on eliminating the small remaining government pockets. With the exception of scattered military installations and the provincial capital of Jolo--now swelled to three times its normal population by refugees--Sulu Province has been largely in rebel hands since early 1973. Philippine officers concede that government forces would be hard put to resist a determined rebel push. With much of the Philippines' combat strength already deployed to the south, prospects are bleak for further reinforcement from the north.

President Marcos' problems with Muslim dissidence are complicated by the proposed visit to the Philippines next week of the foreign ministers of four Islamic nations--Libya, Saudi Arabia, Senegal, and Somalia. The ministers are on a fact-finding mission, and Marcos apparently believes it politic to accept the Islamic delegation in order to counter charges by the Islamic foreign ministers conference last March that the Philippine Government is persecuting its Muslim minority. The President is concerned, however, that some members--particularly the Libyans--will use the visit to fuel criticism of Manila. As a precondition for the visit, therefore, Marcos is asking that the delegation state ahead of time that its purpose is to contact "appropriate authorities" and "strengthen relations with the Philippines." If the Islamic countries insist on a broader mandate to investigate the Muslim problem, the visit may not come off at this time.

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CYPRUS: Louder rhetoric and threats of new violence mark the continuing confrontation between President Makarios and General Grivas. Whether out of real determination or in sheer desperation, Grivas has again insisted that the Archbishop give up either the church or the presidency and hold new elections, in return for an end to Grivas' campaign of terrorism and the release of a kidnaped cabinet minister. Makarios has rejected Grivas' demands and has urged the General to come out of hiding and engage in a "democratic" confrontation. No ready compromise is likely, and more bombings and other terrorist incidents seem certain.

The Turkish Cypriots are worried about the continued turmoil in the Greek Cypriot community. Neither they nor Ankara hold any love for either of the combatants, but do fear that the violence eventually could be directed against their minority community. Ankara will urge Athens to exert its influence over the two rivals if the violence continues, but the Greeks will probably be reluctant to get involved directly.

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Approved For Release 2004/07/08 : CIA-RDP79T00975A025000070001-6

FOR THE RECORD*

International Monetary Developments: Arab League economists and financial experts will meet in Cairo on 12 August to study the potential impact of international monetary reform proposals on Arab reserve holdings. The Arab press and some Arab officials feel that US opposition to the accumulation of large amounts of foreign exchange by any nation is a politically inspired move directed against the Arab countries.

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**This item was prepared by CIA without consultation with the Departments of State and Defense.*

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